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Satellite and
Radio Communications Division
International Bureau

May 19, 2004

Via Hand Delivery

RECEIVED

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, N.W.
Washington, DC 20554

MAY 19 2004

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Applications of Verestar, Inc. (Debtor-In-Possession)
and Verestar Networks, Inc. (Debtor-in-Possession)
for Consent to Assignment of Licenses And
Authorizations to SES AMERICOM, Inc.


Dear Ms. Dortch:

On April 30, 2004, Verestar, Inc. (Debtor-in-Possession), Verestar Networks, Inc. (Debtor-in-Possession) (collectively, "Verestar") and SES AMERICOM, Inc. ("SES Americom") filed a series of applications seeking Commission consent to the assignment of certain licenses and authorizations from Verestar to SES Americom. See IFS Submission ID Nos. IB2004000889, IB2004000890, SES-ASG-INTR2004-00886, and SES-ASG-INTR2004-00887; US Submission ID No. 0001685559; and the Domestic Section 214 Authorization assignment application filed by hand with your office on that date.

Subsequent to those filings, the Commission staff requested additional information regarding the applications. Transmitted herewith is a Supplement responding to the staff's request. This Supplement should be associated with each of the above-referenced applications.

Please refer all questions and correspondence regarding this matter to the undersigned counsel.

Very truly yours,


Jeffrey H. Olson
Attorney for SES AMERICOM, Inc.

Attachment

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SUPPLEMENT

On April 30, 2004, Verestar, Inc. (Debtor-in-Possession), Verestar Networks, Inc. (Debtor-in-Possession) (collectively, "Verestar") and SES AMERICOM, Inc. ("SES Americom") filed applications with the Commission relating to the acquisition of certain assets of Verestar -- including various licenses and other authorizations issued by the Commission -- by SES Americom. The applications involved: (1) earth station licenses; (2) common carrier and private wireless licenses; and (3) domestic and international 214 certificates.

Subsequent to the filing of the above-referenced applications, the Commission staff requested additional information regarding: (1) ownership interests held by General Electric Company ("GE") in telecommunication companies (other than in SES Americom); and (2) the extent to which, if any, the acquisition by SES Americom of certain transponder service agreements currently held by Verestar might impact the market for U.S. transponder capacity. Below, Verestar and SES Americom address these matters and they request that this Supplement be associated with the three above-referenced applications.

I. THE OTHER GE INTERESTS

As documented in the above-referenced applications, GE indirectly holds an attributable interest in SES Americom. At the staff's request, SES Americom has identified two other telecommunications companies in which it understands that GE holds an equity interest of 10% or greater. This information was obtained by SES Americom from the Commission's files. SES Americom cannot and does not warrant that this represents a complete or accurate list of all relevant GE holdings.

In April 2003, the Wireline Competition Bureau granted an application for consent to the acquisition of 100% of the equity of Advanced TelCom, Inc. ("ATG") and Shared Communications Services, Inc. ("SCS") by VFS Financing, Inc. ("VFS"). *See Notice of Streamlined Domestic 214 Applications Granted*, 18 FCC Rcd 7675 (WCB Apr. 21, 2003). According to that application: (1) the transferee, VFS, is an indirect wholly-owned subsidiary of GE; (2) ATG provides residential and business interstate and intrastate long distance and local telephone service, as well as Internet and high-speed data service, in California, Nevada, Oregon, and Washington; and (3) SCS provides interexchange and local telecommunications service in Nevada, Oregon, and Washington, and is a reseller of interexchange telecommunications services to customers in over twenty states.

II. IMPACT OF THE INSTANT TRANSACTION ON THE COMPETITIVE MARKETPLACE FOR U.S. TRANSPONDER CAPACITY

Set out below, in response to the staff's request, is an expanded discussion of the relevant business activities of Verestar and SES Americom. In brief, it is clear from the following that there is no possibility of any adverse competitive impact on the U.S. satellite services/transponder leasing market from the instant transaction. The supply of transponder capacity is so vast, and the number of transponders under the contractual control of Verestar is so small, that SES Americom's acquisition of Verestar's transponder service agreements will have no effect whatsoever on what is an extraordinarily competitive marketplace.¹

¹ As the Commission is aware, it is rarely, if ever, the case that all of a satellite company's transponder capacity is committed or in use at any given time; some measure of excess capacity is an industry norm. Moreover, for most services, satellite operators must compete for customers with the extensive domestic and international

A. VERESTAR

Verestar offers a diverse array of communications services, including “end-to-end” services, each tailored to specific customer’s needs. While Verestar acts primarily as a teleport operator, its services may involve the provision of either or both satellite or terrestrial capacity. Verestar does not own any fiber or satellite transponders, but instead obtains capacity from satellite or terrestrial fiber operators to meet specific customer requirements. For example, Verestar has entered into transponder service agreements with several major satellite system operators, including, *inter alia*, Loral, Intelsat, New Skies, PanAmSat and SES Americom.² With access to over 150 satellite antenna located at its U.S. and European teleport facilities,³ Verestar can provide regional, national or global solutions for its customers, including access to facilities of the major domestic and international terrestrial carriers located in the leading “telecom hotels” in New York City, Seattle and Zurich.

The specific services offered by Verestar include capacity for the distribution of, *inter alia*, data, voice, broadband and Internet access, and video services. A variety of solutions based on VSAT, SCPC and mesh technologies are available. Generally, Verestar’s customers utilize satellite links for communication between remote

fiber networks that serve the U.S. Thus, transponder availability represents only one component of this overall market.

² Approximately 48% of Verestar’s transponder service agreements are with Intelsat; PanAmSat is second at approximately 27%; 7% of Verestar’s service agreements are with SES Americom.

³ The Verestar teleport facilities that are the subject of the instant application are located in Brewster, Washington; Cedar Hill, Texas; Holmdel, New Jersey; Alexandria, Virginia; and Leuk, Switzerland.

areas and the U.S. and Europe. Some of these customers provide their own transponder capacity and contract with Verestar for various ground segment capabilities (e.g., teleport services, design and implementation of VSAT networks). Other customers rely on Verestar to supply the necessary transponder capacity as well as the ground segment facilities.

Verestar's customers include, e.g., companies engaged in such diverse businesses as retail sales, energy production (including off-shore oil and gas platforms), mining, global construction, sea-going vessels and distance learning. Representative of these enterprise customers are Wilbros, Bechtel, J.C. Penney, Maritime Telecommunications Network, Seabulk, Cotecna and Addax/Oryx.

Telecommunications carrier customers include foreign PTTs, competitive U.S. carriers and ISPs. Providing a tailored mix of satellite and terrestrial capacity, Verestar enables these carriers to employ capacity on other systems to augment their own networks. Examples of such carrier customers include BellSouth Ecuador, Swisscom, IDT, Nationlink Somalia, PT Multidata, Telecom Italia and Cyberspace Nigeria.

A diverse suite of video solutions is available for broadcasters, cable programmers, special event producers, program distributors, news agencies, production companies and government agencies. Typical services include, *inter alia*, full-time and occasional use video distribution, back-haul and special events. Examples of Verestar's video customers include: Cox Broadcasting, TV Asahi, JSAT, KDDI and Agence France Presse.

Verestar's special government services unit provides a variety of services to, *inter alia*, the Department of State, the FAA, NOAA, the DEA and the Navy.

At present, a significant portion of Verestar's customers are U.S.-based entities with communications needs in the Persian Gulf area, Central Asia and western and southern Africa.

The business in which Verestar competes includes literally hundreds of teleports and other earth station operators, both fixed and transportable, domestic and international. Some of its largest of its competitors are: GlobalCast, Vyvx, Crawford Communications, Globalcomm Systems, Intelsat, PanAmSat, Segovia and BT.

As noted above, to tailor solutions to customer needs, Verestar will lease satellite and terrestrial capacity, as well as provide the necessary satellite terminal equipment. For example, should a customer wish to create a VSAT network, Verestar would assist the customer in acquiring (typically, at customer expense) the necessary earth station equipment from whichever of several vendors offers the best technical/cost-effective solution for that customer's unique needs.⁴

The Commission staff requested information regarding certain of Verestar's transponder service agreements, specifically, those that will, by their terms, expire in the 2004-06 time frame. Verestar currently holds a total of 29 such service agreements: 11 are set to expire in 2004; 8 are set to expire in 2005; and 10 are set to expire in 2006. Individually, these service agreements involve as little as 1.0 MHz of bandwidth up to full 36 MHz transponders. In the aggregate, the service agreements that will expire in 2004 cover a total of 132.2 MHz, or 3.7 transponder equivalents;⁵ for 2005,

⁴ Such vendors include, *inter alia*, ViaSat, iDirect, Channel Master, Comtech EF Data, Tri-Point Global and Prodelin.

⁵ As used in this Supplement, "transponder equivalent" references a standard 36 MHz transponder.

137.1 MHz, or 3.8 transponder equivalents; and for 2006, 256.1 MHz, or 7.1 transponder equivalents.⁶

In sum, assuming that (1) Verestar does not cancel any of the subject service agreements during the remaining Chapter 11 proceedings, and (2) the instant transaction closes in 2004, SES Americom will obtain temporary contractual access to a total of 14.6 transponder equivalents (or an aggregate of 525.4 MHz).⁷

B. SES AMERICOM

At present, SES Americom operates 16 satellites carrying a total of 364 operational C-band and Ku-band transponders (or 13,104 MHz of bandwidth) capable of providing U.S. service. SES Americom's primary business is providing bulk transponder capacity to, e.g., carriers, private industry, video service providers, government users and resellers (including teleport operators, such as Verestar) to support all manner of telecommunications services. Depending on customer needs, full transponders or narrowband capacity (e.g., SCPC) can be provided.⁸

Media companies employ SES Americom capacity for the distribution of, *inter alia*, cable television programming, television and radio network broadcasts, and network backhaul. Additionally, occasional use capacity is available for special events,

⁶ Approximately 48% of the these service agreements are with Intelsat; approximately 38% are with PanAmSat; none of Verestar's service agreements with SES Americom expire in this time frame.

⁷ The remaining Verestar transponder service agreements, which expire between 2007 and 2011, involve a total of 345.1 MHz, or 9.6 transponder equivalents; SES Americom provides approximately 1/3 of this capacity.

⁸ SES Americom operates earth station facilities for TT&C and for the limited distribution of some customer traffic (e.g., routing to the Internet) located in Sunset Beach, Hawaii; South Mountain, California; Grand Junction, Colorado; Woodbine, Maryland; Vernon Valley, New Jersey; and Betzdorf, Luxembourg.

breaking new stories (*e.g.*, SNG) and the like. Americom's media customers include NBC, CNN, PBS, PAX-TV, Telemundo and others. As the Commission is aware, SES Americom recently has begun to offer transponder capacity to DBS operators to enable them to augment the capacity of their dedicated satellites; these transponders can be used for the provision of, *e.g.*, DTH video and broadband services.

Carrier customers include MCI, Sprint, AT&T, BT, Telenor and others. These carriers use SES Americom's transponders to support a variety of services for their various customers, including, *inter alia*, shared and private networks and internet access for remote sites, and back-up/restoration capability for their own terrestrial networks.

Private enterprise customers include such companies as DynCorp., Bechtel, SAIC and Mitre. These enterprise customers utilize the transponders to provide a wide array of private network services, including voice, data and video services.

U.S. Government customers, who are served by a separate subsidiary of SES Americom formed especially for this purpose, Americom Government Services ("AGS"), include the Departments of Defense, Justice, Commerce and Energy, along with NASA and other agencies.

As noted above, SES Americom typically provides bulk transponder capacity to large customers who provide their own terrestrial facilities (*e.g.*, customer-premises earth stations and interconnection with public and private terrestrial networks). On rare occasions, SES Americom will assist a customer with the design and provisioning of the earth station component of these terrestrial facilities (*e.g.*, a VSAT network), but providing "end-to-end" service is not part of SES Americom's core business.

C. IMPACT OF THE INSTANT TRANSACTION

As noted *supra*, on SES Americom's 16 currently operational satellites, there are 364 operational transponders, or 13,104 MHz of capacity. In the aggregate, there are approximately 750 additional transponders, or 27,000 MHz of capacity, available from other FSS satellite operators that are capable of providing service to the U.S., including, *inter alia*: PanAmSat, Intelsat, Loral, New Skies, Telesat, SatMex, JSAT, Eutelsat, Brazilsat and Hispasat. In sum, there are over 1,100 transponders, or over 40,000 MHz of capacity, available to serve the U.S. market; approximately 33% of this capacity is provided by satellites operated by SES Americom.

Assuming *arguendo* that Verestar does not terminate any of its existing 2004-06 transponder contracts in the continuing Chapter 11 process, service agreements covering a total of approximately 14.6 transponders equivalents, or 525.4 MHz of capacity, would be assigned to SES Americom at closing of the transaction here under review. This represents approximately 1.3% of the overall U.S. transponder supply, and, of course, this figure will diminish each year as the relevant service agreements expire by their own terms.

Even if all of the post-2006 Verestar transponder service agreements are considered (and none is terminated in the Chapter 11 proceeding), SES Americom would obtain access to only 2.2% of the aggregate currently-available transponder capacity as the result of this transaction. This figure falls to 1.9% if the Verestar transponder service agreements involving SES Americom transponder capacity are deleted from that total. Moreover, as noted above, as each service agreement expires, that capacity reverts back to the satellite operator for offer to other customers. Thus, the figures cited above are, in

essence, maximum figures, which decrease each year. Finally, this analysis does not take into account the new FSS satellites that will be launched in the next several years, including new Ka-band satellites, which will significantly add to the available supply of transponders.

Clearly, SES Americom's acquisition of the limited transponder capacity currently held by Verestar will have less than a *de minimis* impact on the U.S. transponder market, and the public interest would be served by the grant of the instant applications.